



# ***Legislative Actions Re Property Tax Relief in 2007***

**An Overview of Major Changes**

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# Legislative Actions

- Direct Relief – State actions
  - \$550 million in Homestead Credits in 2007 and 2008
  - Retained \$45,000 Homestead Deduction
- Local Government Tools
  - 3 New Local Income tax options
  - A control mechanism, the county board of tax and capital projects review

# Homestead Credit

1. Funded from licenses to “Racinos”
2. \$300 million as rebate of 2007 payable property taxes
3. \$250 million as a credit on 2008 property tax bills
4. Applies to homeowners only

# Homestead Deduction

- Deduction from AV of \$45,000 was scheduled to drop to \$35,000
- The \$45,000 amount was retained through 2008
- The deduction will phase down by \$1,000 increments beginning in 2009

# New Local Options

1. A local income tax to freeze the property tax levy – max of 1%
2. A local income tax to provide property tax relief – max of 1%; [distribution options]
3. A local income tax for public safety – max of .25% [except in Marion County, .5%]

# New Control Mechanism

- New county based capital projects review boards beginning in CY 2009
- Produces capital projects plan
- Looks out for 5 years into the future
- Applies to controlled projects, GT \$7 million

# Evaluation of Changes

- What was Indiana's state and local tax profile prior to the 2007 changes?
- How will the 2007 changes affect taxpayers?
- What will the future say about this new state and local tax structure?

# Indiana's Prior Profile

- Moderate to low tax state overall
- Higher dependence on property taxes to fund local government than many
- Higher dependence on business to fund local government than many
- Relatively low income tax rate [state and local]
- Average State sales tax rate



# The 2007 Tax Mix Changes

- Will Revenues be sufficient?
- Will Revenues be as stable as before?
- Who Pays Less / Who Pays More?

# What will the Future Say?

- Some of the measures adopted in the 2007 package will “roll off” in future years.
- Some of the control mechanisms if utilized promise greater local citizen involvement.
- Local governments have more tools to affect their own tax mix.